

Allowable Ex Parte Briefing

Company Update

Before the South Carolina Public Service Commission

May 29, 2019

Agenda

- **Introduction of Panel and Company Attendees** – Wellborn
- **State of the Industry** – Heigel
- **State of the Company** – Heigel
- **Operations Update** – Mendenhall
- **Capital Projects Update** – Dupree
- **Finance Update** – Hunter

State of the Industry

- Aging infrastructure
- Historic investments needed
- Increasing environmental compliance requirements
- Aging workforce
- Need for scale/regionalization
- Increasing construction costs

State of the Company

- **New vision, mission and values**
- **New strategic goals and initiatives**
 - Collaboration and Engagement
 - Excellence in Service
 - Strong Financial Performance
 - World Class Talent
- **New talent**
- **New processes**
- **New technology**
- **New brand**

State of the Company

- **Continuing Challenges**
 - Infrastructure investment catch-up
 - Minimizing pressure on rates
 - Earning our allowed return
 - 208 Water Quality Plan Compliance/Interconnections
 - Social media and customer communications
- **Continuing Opportunities**
 - Organic growth and acquisitions
 - 208 Water Quality Plan Interconnections
 - Social media and customer communications

Operations

- A new Operations Management System (OMS) – **Lucity** – was rolled out in October 2018
- OMS is a Geographic Information System (GIS) and Computer Maintenance Management System (CMMS) used by field personnel
- OMS allows integration of multiple systems into one interface
- **Benefits of OMS:**
 - Improved ability to access information and maintain information on assets
 - Improved customer service through real-time work orders and field activities
 - Improved line-of-sight on preventative maintenance, asset conditions, service levels and risk
 - Better data to support decision-making through improved capital project identification, prioritization and justification

ACCEPTED FOR PROCESSING - 2019 June 3 11:23 AM - SCPSC - ND-2019-6-WS - Page 7 of 34

OMS Screen Shot 2

< All Open Work Orders (427)
Work Orders - 19-05-018480

Work Order # 19-05-018480		Category * WDML - Water Meter Service		CC&B FA Number 843111741	
Status 2 New Work Order ⓘ		Cancel Reason ⓘ		Customer Reported Problem ⓘ	
Status Date 5/24/2019	Status Time 04:49 PM	Main Task M-READ Read Meter (for Start/Stop) ⓘ		Crew Defined Problem ⓘ	
Asset 8435010173 29710				Scheduled Date * 5/28/2019	Scheduled Time * 07:00 PM
Asset Desc 2 <div></div>				<input type="checkbox"/> Hang Door Tag	<input type="checkbox"/> After Hours
Priority 30 Priority 30 ⓘ				<input type="checkbox"/> Meter Test Pass	
Meter # <div></div>		Lot	Block	Instructions Please take final read and leave on. <div></div> can be reached at <div></div> . Thanks	
Premise Type Residential-Single Family			Start Date		
Manager * <div></div> ⓘ	End Date		Customer Name <div></div>	Customer Phone Number <div></div>	
Assigned Worker <div></div> ⓘ	Sub-Division * 349 SC-River Hills ⓘ				
JDE Project Number	JDE PO #	CIS Division 400	Billable Cost 0	Est Gas Loss (MCF)	Est Water Loss (Gal)
SP Cycle/Route <div></div> ⓘ	SP Sequence Number		FA Remark ⓘ		

This address is the First Location on the WO. If you change the values, it will add a new location when you Save, then it will conti...

Non-Revenue Water and Water Loss

- Non-revenue water (NRW) is water that is pumped or produced but is subsequently lost or otherwise unaccounted for in the system
- Blue Granite has recently adopted a strategy to address NRW
 - **Business Practices**
 - Leak Testing Program (Helium Detection, Ultrasonic)
 - Meter replacement program
 - Internal water audits by system
 - **Meter Accuracy**
 - Small Meters (3/4, 5/8, and 1") – policy to test 1% of active meters in every water system
 - Large Meters (> 1") – policy to test large meters a minimum of every 2 years
 - **Total Water Supplied**
 - Purchased water and internal supply
 - **Billed/Unbilled Consumption**
 - Policies and practices related to the authorized, but unbilled use of water, including, but not limited to, main flushing, main breaks, leaks, tank overflows, and filter backwash
 - **Apparent Loss Management**
 - Zero Consumption and Vacant Status reports

Operations Key Performance Indicators (KPI)

South Carolina KPI Report											
Goal	Objectives	Measure	2017 Actual	2018 Actual	2019 Target	Jan Actual	Feb Actual	Mar Actual	1Q19 Actual	YTD Actual	YTD Target
Provide a safe, reliable and cost effective service to our customers	Provide Safe Drinking Water	% of Water System Days in Compliance	95.9%	98.4%	98.4%	100.0%	100.0%	100.0%	100.0%	100.0%	98.4%
	Field Activities Completed On Time (Customer FAs)	% Completed By Due Date	85.4%	95.0%	95.0%	98.2%	98.7%	98.7%	98.5%	98.5%	95.0%
	On-Time & Accurate Meter Reads	% of On-Time Reads	91.3%	95.0%	95.0%	93.6%	97.1%	98.9%	96.5%	96.5%	95.0%
		% of Accurate Reads	99.4%	100.0%	100.0%	99.0%	98.6%	99.3%	99.0%	99.0%	100.0%
		% of Estimated Reads	1.2%	5.0%	<5.0%	1.9%	3.2%	3.4%	2.8%	2.8%	5.0%
	Maintain High Water Quality	% of Water Quality Field Activities Issued/ Total Customers	0.05%	0.50%	<0.50%	0.04%	0.03%	0.03%	0.03%	0.03%	0.50%
Provide a safe, challenging and rewarding work environment for our employees	Reduce Work Related Injury Rate	OSHA Lost-Time Frequency	0.00	1.40	<1.40	0.00	0.00	0.00	0.00	0.00	0.35
		OSHA Other Injuries Frequency	2.17	1.60	<1.60	0.00	0.00	0.00	0.00	0.00	0.40
	Maintain & Improve Compliance	% of Wastewater System Days in Compliance	95.9%	96.4%	96.4%	100.0%	99.9%	99.9%	99.9%	99.9%	96.4%

Capital Projects – Water Systems

Description	Location	Engineer / Contractor	Cost Estimate	Cost Details	Status	Progress Status
Lake Wylie AMI Metering	Lake Wylie, SC	T Dupree	\$800,000	Replace 2228 residential meters in the Lake Wylie water system with Neptune Water Meters	Construction 0%	Start Construction August 2019
		Core & Main				
Shandon to Carrolton Place Interconnection	Rock Hill, SC	GMC/Dupree	\$375,000	Install 3,636 linear feet of 6" waterline from Carrolton Place water system and connect to Shandon sub-division water system for improved capacity for Shandon sub-division.	Construction 100%	Placed into operation 5-1-19
		Tri-county Utilities				
Stonegate Water System Connection	Irmo, SC	GMC/Dupree	\$175,000	Install water meter, backflow device, and pressure reducing valve for bulk water supply connection to Stonegate subdivision for improved water quality and capacity. Abandon 3 existing water wells.	Construction 100%	Placed into operation 4-2-19
		Carolina Tap and Bore				
Lake Wylie Water System to Charlotte Water	Lake Wylie, SC	GMC/T Dupree	\$366,000	Install water meter, backflow device, and pressure reducing valve for bulk water supply connection to Riverhills/Lake Wylie water system from City of Charlotte water system to increase system capacity.	Design 95%	Continue Design. Complete Construction July to October 2019
		TBD				
Hunter's Glenn Water System Connection to City of Aiken	Aiken, SC	GMC/Dupree	\$180,000	Install water meter, backflow device, and pressure reducing valve for bulk water supply connection to Hunter's Glenn subdivision water system from City of Aiken water system to increase system capacity.	Design 0%	Complete bulk water agreement
		TBD				

Capital Projects – Sewer Systems

Description	Location	Engineer / Contractor	Cost Estimate	Cost Details	Status	Progress Status
Roosevelt Gardens Interconnection	Orangeburg, SC	GMC/T Dupree	\$850,000	Construct interconnection for Roosevelt WWCS to Orangeburg DPU and decommission WWTP	Design 0%	Complete connection agreement with ODPD
		TBD				
Palmetto Estates CCTV and Cleaning	Beaufort, SC	GMC/T Dupree	\$62,000	Clean, CCTV, and perform field data analysis to create mapping for rehabilitation of sanitary sewer gravity lines as required.	Cleaning and CCTV 100%	Analyze CCTV data
		N/A				
Fairwood/Oakland/Pocalla WWCS GIS	Union and Sumter, SC	GMC/T Dupree	\$12,000	Gather wastewater collection system data and input into GIS	Engineering 5%	Continue survey and GIS input
		N/A				
Fairwood/Oakland/Pocalla WWCS Improvements	Union and Sumter, SC	GMC/T Dupree	\$262,400	Clean, CCTV, and perform field data analysis to create mapping for rehabilitation of sanitary sewer gravity lines as required.	Engineering 10%	Continue CCTV and Cleaning
		Clearwater				
Friarsgate WWCS Modeling	Chapin, SC	GMC/T Dupree	\$39,000	Gather wastewater collection system data and input into GIS and perform hydraulic model.	Engineering 5%	Continue survey and GIS input
		N/A				
Chambert Forest Lift Station Replacement	Anderson County, SC	WK Dickson/GMC/Dupree	\$250,000	Replace existing package sewer plant being used as lift station with new lift station due to end of life.	Construction 100%	Placed into operation 3-13-19
		Carolina Lift Stations				

Capital Projects – Sewer Systems

Description	Location	Engineer / Contractor	Cost Estimate	Cost Details	Status	Progress Status
Forty Love - Phase 1	Chapin, SC	GMC/Dupree McClam/Carolina Lift Stations	\$288,000	Install sewer grinder stations to mitigate sewer backups within the 3 homes.	Construction 100%	Completed construction October 2019
Forty Love Engineering Study	Chapin, SC	GMC N/A	\$65,700	Investigate and perform analysis of long term solution to eliminate sewer backups.	Investigation 100%	Complete
Forty Love - Phase 2	Chapin, SC	GMC/T Dupree Tri-County Utilities	\$413,000	Install sewer lift station on main sewer Letts line to allowing for pumping of sewer to Hiller Road lift station during wet weather events. This will mitigate sewer backups in homes on lower elevations of the sewer system.	Construction 100%	Placed into operation 5-1-19
Friarsgate Sewer Interconnection	Irmo, SC	GMC/T Dupree Harper General Contractors	\$4,616,000	Install sewer lift station and connect existing WWTP sewer discharge line to the City of Columbia sewer system for treatment. Decommission existing Friarsgate WWTP.	Construction 60%	Primary lift station completed, and flow being directed to Columbia WWTP April 1, 2019. EQ lift station to be completed June 2019 and WWTP decommissioning to be completed October 2019
West Georgia Road Force Main Relocation	Piedmont, SC	WK Dickson Carolina Lift Station	\$50,000	Relocate force main to proposed SCDOT bridge due to West Georgia Road Widening.	Construction 0%	Design complete. Begin construction October 2018. Waiting on contractor to begin roadwork
Oakland Plantation WWTP Improvements – Phase 1	Sumter, SC	GMC/T Dupree Premiere Water	\$520,000	Replace existing clarifier. Perform project as Design-Build.	Design 10%	Complete Design June 2019. Begin construction July 2019 and Complete December 2019
Friarsgate WWCS Improvements - 2019	Chapin, SC	GMC TBD	\$565,000	Clean, CCTV, and rehabilitate sanitary sewer gravity lines as a part of an annual rehabilitation program for the Friarsgate WWCS.	Design 75%	Continue cleaning and CCTV. Complete sewer improvements Fall 2019

Objectives

- Invest capital prudently
- Reduce operating expenses
- Mitigate risks
- Recover costs timely
- Maintain access to low cost capital

Cost Management

- **Purchasing Improvements**

- Centralized purchasing function to:
 - **Identify savings opportunities**
 - Fixed-price state-wide contracts
 - Leverage buying power
 - **Improve controls**
 - Enhanced audit of vendor invoices
 - Standardized internal coding (improved data)

- **Inventory Management (Future State)**

- Establish sophisticated inventory practice to:
 - **Better understand what we have**
 - Complete and accurate database (how many and where?)
 - Determine optimal quantities
 - **Better utilize what we have**
 - Cross-area efficiencies
 - Eliminate unnecessary purchases

Impact of Regulatory Recovery Lag

- **Regulatory Lag has material impact on financial health**
 - Expense and capital recovery lag accounts for 500 to 1,300 basis points gap from allowed 10.50% ROE
 - Expense lag (e.g., property taxes, maintenance, salaries, etc.) averages 739 basis points over the past two years
 - Capital lag averages 135 basis points over the same period
- **Infrastructure requires significant capital investments**
 - Projecting almost \$60MM needed in next 5 years
 - Financial performance is THE critical component of attracting capital
- **Need to adopt new ratemaking mechanisms to address regulatory lag**



Questions

